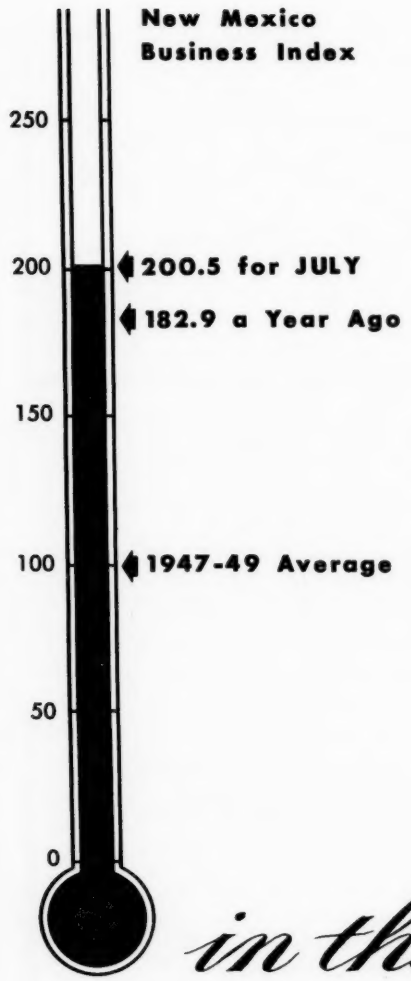
September 1955

# New Mexico BUSINESS




## Recent Highlights

Business activity in New Mexico remained in high gear this summer. The total volume of retail sales in July reached almost $92 million, a record high. All types of retail sales rose from June to July, and four retail groups--automotive, subsistence, furniture and appliances, and building material sales--hit record highs.

Despite a temporary drop-off in building permits, a decline in manufacturers' sales, and the copper strike, the Index of Business Activity in New Mexico dropped only 1.8 per cent from June to July. The month was 10.6 per cent higher than July 1954.

Employment in July declined 0.6 per cent, compared to June, due to the copper strike and to lay-offs of school custodial workers during the summer months. Employment in manufacturing hit an all-time high.

Some of our early reports on August show that building permits returned to their high 1955 level, and that bank debits and loans increased substantially. With the settlement of the copper strike and continued employment and consumer confidence, New Mexico is entering the fall season in good style.

## *in this issue*


- Farm Prices & Retail Prices . . . page 2
- Notes on Pipelines.. Machines.. Crops

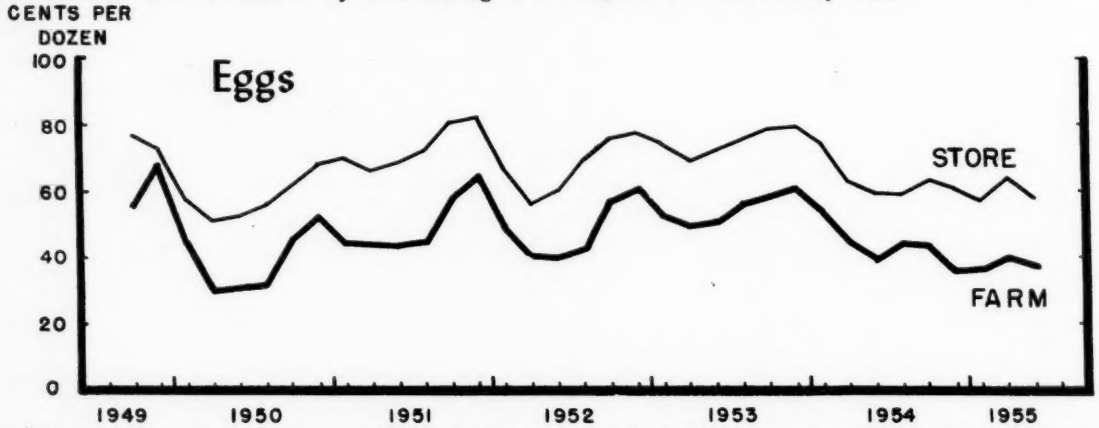
# Farm Prices - Retail Prices :

## *How Are They Related ?*

By RUDYARD B. GOODE*

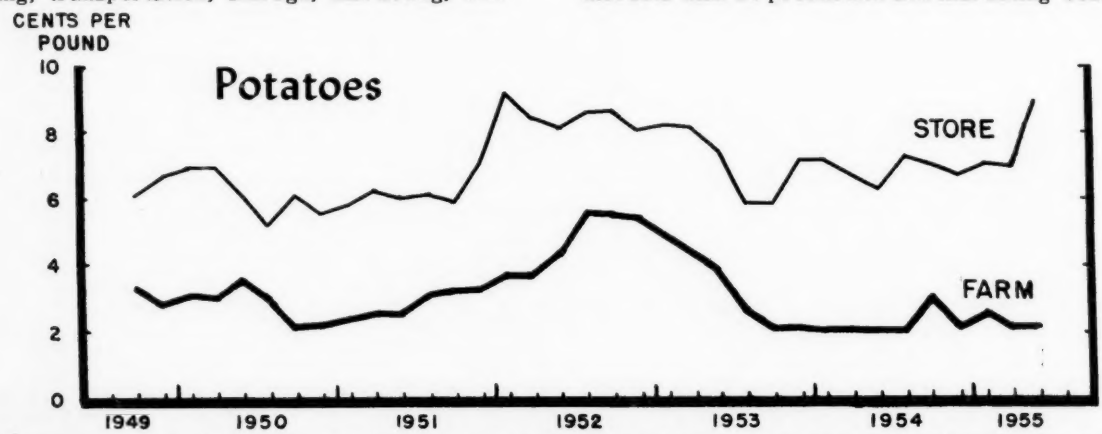
MOST PEOPLE suspect that the relationships between prices paid farmers and those paid by housewives are not uniform. Occasionally, when the on-the-hoof price of beef is going down, the price of beefsteak here seems to be rising. We remember such inconsistencies, but usually have little evidence to show how often or to what degree this is taking place. Perhaps a little light can be shed on this matter by contrasting the farm and retail prices for some selected items during a period of years.

In the following graphs, farm prices are based on prices paid to New Mexico farmers, according to the USDA Agricultural Marketing Service. Retail prices are the averages for Albuquerque, obtained from Bureau of Business Research surveys. Both series are bimonthly data from September 1949 to May 1955.




The average retail price of Grade A Large eggs and the price paid farmers show parallel movements. Both reflect a definite seasonal pattern--lower in mid-year and higher at year-end. The difference between the farm and the store prices must cover the costs of a number of activities necessary in getting eggs from the farm to the consumer--gathering, grading, packing, transportation, storage, marketing, etc.

The basic determinants of both farm and retail prices are regional, or even national, supply and demand. Allowance must be made for transportation and other costs incurred in meeting the local demand since New Mexico production is so low relative to consumption. It is likely that the prices paid New Mexico farmers are based more on the prevailing or expected prices at major markets than on production and marketing costs.

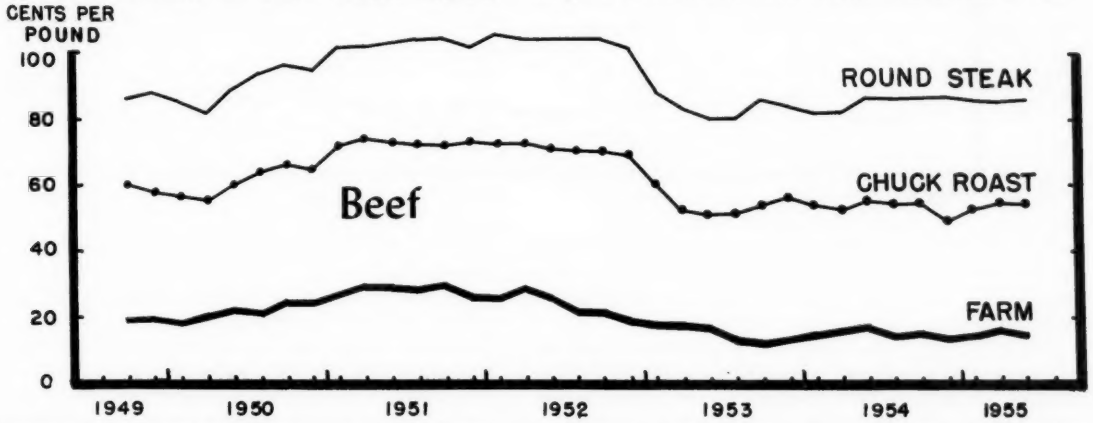



*The author is statistician for the Bureau of Business Research and an assistant professor in the College of Business Administration, University of New Mexico.

With potatoes, the pattern of price movements is not so consistent. The average price per pound at grocery stores shows much more variation than the price paid farmers. As you can see in the graph, some of the retail price changes are unrelated to changes in farm prices.

Why is this? Well, New Mexico farms simply do not grow enough to meet the demand here. Thus Albuquerque stores offer Mrs. Shopper the products of local farms sometimes and potatoes from outside the state at other times. Retail prices here tend to follow national retail price levels somewhat, and you can usually see a low point each summer when the supply is greatest. The prices on New Mexico farms do not have to fluctuate as widely, however, because our local farmers and produce men have the advantage of lower shipping costs and can store potatoes for periods when local prices are more favorable.

Also, the store price is based on U.S. No. 1 potatoes; the farm price on ungraded ones. This may be a source of inconsistent variations, too.




Changes in the prices of two cuts of beef generally follow the price paid New Mexico ranchers for cattle. Of further interest is the more or less uniform difference between the prices of chuck roast and round steak. Also, while parallel price movements are the rule, the changes in farm prices are of much larger proportions than the variations in store prices. In September 1951, the farm price for beef was $30 per hundred (or 30 cents per pound) and two years later the price had dropped below $13 per hundred. During the same period, the average price of round steak declined from $1.05 to 87 cents per pound and chuck dropped from 72 to 54 cents. The farm price moved to the 15-16 cent range in the first half of this year, but the price of round steak showed very little change.

Closer inspection of our farm-store price relationship seems to reveal a "ceiling" on the store prices for the beef cuts--a price which once reached is not easily moved upward unless farm prices go unusually high. Grocers undoubtedly know that as their prices move above certain levels, the volume sold declines substantially; thus the "ceiling." Similarly, as prices drop, it may be expected that at certain prices practically all of the available supplies could be sold. Thus, regardless of even lower farm prices, there would be no incentive to reduce prices further with the intention of increasing sales. This is the "floor" price. In the intermediate range--between the ceiling and the floor--farm prices are likely to exert more influence.

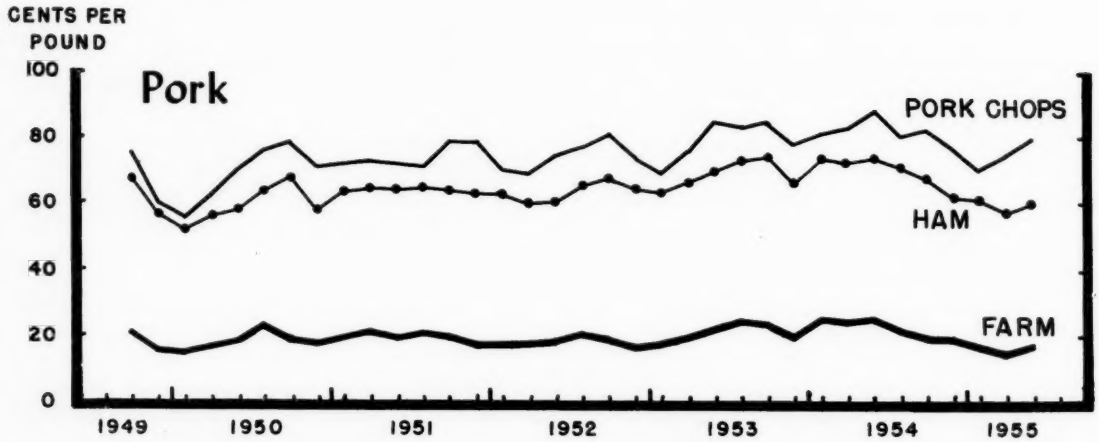
(continued on page 4)

NEW MEXICO BUSINESSMEN will be interested in an article "How Many Cattle by 1965?" in the September 1955 issue of the Monthly Review of the Federal Reserve Bank of Kansas City. The author assumes that the important elements influencing the demand for beef and veal are population, per capita incomes, the price of beef and the price of pork. On the basis of the influence these elements have had on demand for beef and veal in the past and projections made by reputable agencies for population and income growth, he estimates that about 107 million head of cattle--in contrast to the 95.5 million of today--could be handled in the United States by 1965.

An analysis of the availability of resources and techniques indicates that there should be no difficulty in expanding production if the demand develops.

Subscriptions to the Monthly Review are available to the public without charge. Write to: Research Department, Federal Reserve Bank of Kansas City, Kansas City 6, Mo.

# Prices.. cont'd.




The prices paid New Mexico farmers for hogs and the average Albuquerque price for uncooked tenderized hams show a very similar pattern of fluctuation.

Pork chop prices, too, show parallel behavior but not quite as close. Perhaps the limited production of hogs in New Mexico is responsible for this. Certainly local market conditions would be important since chops must be sold fresh while ham, once cured, can be stored for longer periods. This is probably the major reason for the parallel movement in our ham and farm prices. Farm prices of pork, as with eggs, probably reflect regional and national market conditions.

**BUSINESS NOTES:**

# New Machine

The Eidal Manufacturing Co. of Albuquerque, builder of heavy trailers, personnel carriers and mobile equipment for special purposes, has now announced to the steel trade a new patented automatic machine for bending the center web section of bar joists in a single continuous operation.

Bar joists, frequently used by the building industry to support the roofs of buildings, are made by welding zig-zag steel bars between parallel rails or strips. The usual practice in forming the zig-zag bars has been to fasten them in a jig and make one bend at a time.

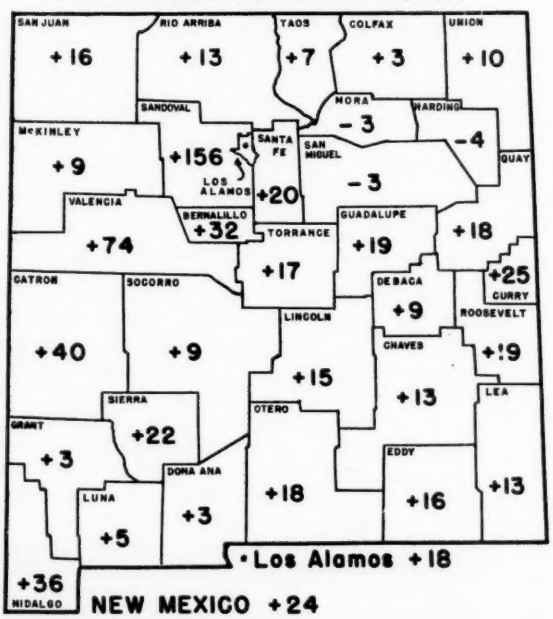
The Eidal machine takes a 30-foot bar up to 3/4 inches thick and forms the entire web section in one operation. It is capable of making 6,000 bends an hour, saving an estimated 50 per cent of time over the piecemeal method.

Roy Eidal, president of the company, is also the inventor of a special spring assembly used in logging trailers and other heavy hauling equipment. During World War II, his company produced more than $5 million worth of chassis for the armed forces. Other special orders were turned out for use in Korea. In 1954, Eidal manufactured a collapsible oil drilling derrick with its own mobile equipment for use in Utah.

F. K.

## RETAIL SALES IN NEW MEXICO

**Per Cent Change: July 1955 over July 1954**



# Retail Sales in New Mexico Counties

## July 1955

(add 000's)

| County | Apparel | Automotive | Subsistence | Furniture & Appliances | Building Material | Other | Total |
|---|---|---|---|---|---|---|---|
| Bernalillo | $ 956 | $ 8,090 | $ 5,912 | $2,371 | $3,044 | $ 7,795 | $28,168 |
| Catron | 0 | 29 | 83 | 7 | 7 | 41 | 167 |
| Chaves | 177 | 1,574 | 1,555 | 506 | 511 | 1,453 | 5,776 |
| Colfax | 38 | 455 | 450 | 24 | 160 | 445 | 1,572 |
| Curry | 111 | 992 | 806 | 250 | 395 | 648 | 3,202 |
| DeBaca | (a) | 89 | 74 | 3 | 35 | 104 | 305 |
| Dona Ana | 67 | 1,165 | 821 | 134 | 260 | 730 | 3,177 |
| Eddy | 183 | 1,386 | 1,516 | 656 | 412 | 1,351 | 5,504 |
| Grant | 32 | 521 | 395 | 57 | 110 | 565 | 1,680 |
| Guadalupe | 0 | 238 | 193 | 22 | 27 | 141 | 621 |
| Harding | 0 | 29 | 11 | 0 | 2 | 49 | 91 |
| Hidalgo | 9 | 219 | 217 | 9 | 72 | 123 | 649 |
| Lea | 213 | 2,164 | 1,424 | 195 | 483 | 3,216 | 7,695 |
| Lincoln | 14 | 194 | 350 | 5 | 94 | 262 | 919 |
| Los Alamos | 21 | 154 | 209 | 20 | 2 | 136 | 542 |
| Luna | 32 | 455 | 229 | 132 | 35 | 295 | 1,178 |
| McKinley | 59 | 933 | 828 | 87 | 119 | 700 | 2,726 |
| Mora | 2 | 35 | 30 | (a) | (a) | 80 | 147 |
| Otero | 57 | 586 | 584 | 103 | 242 | 378 | 1,950 |
| Quay | 40 | 579 | 457 | 50 | 82 | 232 | 1,440 |
| Rio Arriba | 12 | 392 | 239 | 24 | 48 | 350 | 1,065 |
| Roosevelt | 41 | 443 | 306 | 82 | 142 | 293 | 1,307 |
| Sandoval | 3 | 664 | 176 | 33 | (a) | 186 | 1,062 |
| San Juan | 31 | 869 | 652 | 79 | 260 | 1,725 | 3,616 |
| San Miguel | 17 | 257 | 382 | 40 | 80 | 417 | 1,193 |
| Santa Fe | 187 | 1,185 | 1,339 | 282 | 615 | 1,261 | 4,869 |
| Sierra | 3 | 177 | 200 | 6 | 14 | 125 | 525 |
| Socorro | 8 | 260 | 151 | 10 | 8 | 172 | 609 |
| Taos | 4 | 261 | 376 | 40 | 22 | 259 | 962 |
| Torrance | (a) | 144 | 140 | 9 | 28 | 217 | 538 |
| Union | 16 | 90 | 165 | 7 | 51 | 179 | 508 |
| Valencia | 16 | 651 | 492 | 95 | 76 | 566 | 1,896 |
| Unallocated | 106 | 920 | 1,065 | 1,018 | 399 | 2,698 | 6,206 |
| Total | $2,455 | $26,200 | $21,827 | $6,356 | $7,835 | $27,192 | $91,865 |

(a) Less than $1,000.

Source: School Tax Division, N. M. Bureau of Revenue.

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**BUSINESS NOTES:**

# Two More Pipelines

Two important products pipelines are being built in New Mexico this year. One, linking El Paso and Albuquerque, was completed this spring. The other, which will bring petroleum products from El Paso and Los Angeles to the Tucson-Phoenix area, is now under construction.

The El Paso-Albuquerque link was built at a cost of about $4 million by the Standard Pipeline Co., a subsidiary of the Standard Oil of California family of companies. It brings gasolines, kerosene, and diesel fuels from El Paso refineries to Albuquerque and is the first such line to serve this city.

Eight-inch pipe makes up the first 116 miles and 6-inch pipe the final 132 miles. Capacity is 7,000 barrels a day.

The line is a common carrier, and both Standard Oil of Texas and the Texas Co. have now built extensive terminal and tankage facilities in South Albuquerque to store and distribute the products. Also, two independent oil transport companies have built truck terminals and garages nearby and distribute the products in central and northern New Mexico.

The other line is now being installed across a 164-mile stretch of southwestern New Mexico. It is a portion of the 846-mile products line being built by the Southern Pacific Railroad--through its subsidiary Southern Pacific Pipe Lines Inc.--along the railroad right-of-way from El Paso to Los Angeles. Its primary purpose is the transport of gasoline and other petroleum products to the Arizona area from Texas and California refineries. Ultimately, this will be part of the network of pipelines that will link America's main producing and consuming petroleum areas.

Pumping stations are being built in El Paso and none will be needed initially in New Mexico. However, as use of the pipeline expands, one pumping station will be built at Gage, a small rail point in Luna county.

An official of the company says that about 5 per cent of the total operating staff of the pipeline during the initial operating stages will be New Mexico residents. One of the main maintenance depots will be at Lordsburg, where a patrol and maintenance crew will be stationed to take care of the Texas and New Mexico portions of the line.

No terminal facilities are planned at present for New Mexico. Shippers have indicated an interest in a "takeoff" -- where the pipeline could be either tapped or fed -- in the Lordsburg area, but Southern Pacific officials do not think that the volumes of products to be delivered to that point justify a "takeoff" station at this stage of the pipeline. This will be something to watch and work for, and ultimately such a station may bring additional benefits to the Lordsburg area.

On the subject of employment, an official of the railroad comments: "We point out that a pipeline does not require a large staff, and the number of persons hired at any one point will be relatively small compared to a railroad operation."

He then adds: "On the other hand, the entire community will benefit from the New Mexico taxes paid by the pipeline." A. N.

# The Rains Came

Broomcorn and grain sorghums showed up in the 1955 State Fair exhibits in unprecedented profusion, reflecting the significant switch to these crops reported in New Mexico Business last month. The USDA crop report for Sept. 1 shows that the broomcorn harvest is holding up to prior estimates. The crop will be 8,500 tons, the fourth largest in state history.

Since adverse weather reduced the harvest in one important area of Texas, demand for New Mexico broomcorn is strong. The Employment Service sent out a call for harvesters and slated a 20-cent-an-hour increase in wages.

Most of the state's broomcorn is grown in Roosevelt, Quay, Curry, and Union counties.

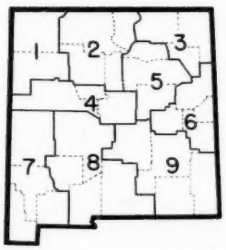
The sorghum harvest is estimated at 7,029,000 bushels, about 3 per cent above the Aug. 1 forecast. Sorghum yields were hard hit by dry, hot weather in some states, but New Mexico was more fortunate this season.

The summer rains have helped New Mexico's ranges considerably, too. Thus far, the federal emergency drouth feed program has not been resumed. Inspectors' reports showed ranges over the state as a whole to be the best in the

(continued on page 8)

## BUSINESS ACTIVITY IN NEW MEXICO

| | July Index (1947-49 mo. av. = 100) | Per Cent Change July 1955 From June 1955 | Per Cent Change July 1955 From July 1954 |
|---|---|---|---|
| Index of Business Activity | 200.5 | - 1.8 | + 10.2 |
| Sales of Retail Stores | 186.7 | + 10.6 | + 23.8 |
| Apparel Stores | 123.9 | + 0.2 | - 6.4 |
| Automotive Dealers | 192.2 | + 5.2 | + 42.9 |
| Subsistence Stores | 189.3 | + 18.2 | + 7.0 |
| Furniture & Appliances | 249.9 | + 29.7 | + 85.8 |
| Building Materials Dealers | 160.8 | + 2.9 | + 21.6 |
| Other Retail Stores | 185.8 | + 10.1 | + 18.4 |
| Amusement Sales | 175.9 | + 16.2 | + 4.5 |
| Service Sales | 221.0 | + 5.5 | + 19.2 |
| Contractors' Sales | 322.9 | + 16.5 | + 32.1 |
| Wholesale Sales | 148.2 | + 10.7 | + 23.0 |
| Public Utility Sales | 158.9 | + 6.4 | - 3.5 |
| Manufacturers' Sales | 274.4 | - 14.5 | - 11.3 |
| Life Insurance Sales | 368.4 | + 0.1 | + 60.8 |
| Bank Debits | 202.7 | - 0.8 | + 16.6 |
| Bank Loans & Discounts | 171.2 | - 0.2 | + 28.8 |
| Demand Deposits | 159.2 | + 1.7 | + 7.7 |
| Time Deposits | 213.8 | + 0.9 | + 14.3 |
| Business Failure Liabilities | 212.2 | - 32.1 | + 66.4 |
| Postal Receipts | 210.6 | - 3.5 | + 6.7 |
| Wage Employment | 139.4 | - 0.6 | + 4.9 |
| Manufacturing | 180.5 | + 0.6 | + 9.1 |
| Mining | 115.4 | - 11.3 | - 5.0 |
| Transportation & Utilities | 127.3 | + 2.7 | + 3.2 |
| Trade | 145.8 | + 1.9 | + 6.1 |
| Finance | 218.1 | 0.0 | + 14.3 |
| Services & Miscellaneous | 107.6 | 0.0 | 0.0 |
| Government | 154.9 | - 2.4 | + 5.5 |
| Contract Construction | 129.0 | + 1.2 | + 10.9 |
| Building Permits - Total | 201.2 | - 41.9 | + 9.4 |
| Residential | 222.1 | - 23.1 | + 14.0 |
| Non-Residential | 152.7 | - 71.7 | - 10.6 |
| Petroleum Production | NA | NA | NA |
| Electric Power Production | 193.2 | - 6.6 | - 7.3 |
| Metallics Production - Total | 20.2 | - 78.0 | - 67.1 |
| Mine Production - Copper | 4.4 | - 96.5 | - 95.7 |
| Mine Production - Lead | 52.0 | - 26.2 | +373.7 |
| Mine Production - Zinc | 37.6 | - 17.2 | -- |
| Mine Production - Potash | 215.5 | - 1.6 | + 14.8 |
| All Farm Prices | 84.8 | - 0.8 | - 2.8 |
| Livestock Prices | 84.2 | - 0.8 | - 3.9 |
| Crop Prices | 93.3 | - 0.4 | + 0.4 |




| | August Index (1947-49 mo. av. = 100) | Per Cent Change August 1955 From July 1955 | Per Cent Change August 1955 From August 1954 |
|---|---|---|---|
| Bank Debits | 218.5 | + 7.8 | + 26.1 |
| Bank Loans & Discounts | 173.4 | + 1.3 | + 27.7 |
| Demand Deposits | 149.8 | - 5.9 | + 0.4 |
| Time Deposits | 232.2 | + 8.6 | + 22.7 |
| Building Permits - Total | 278.3 | + 38.3 | + 35.7 |
| Residential | 250.9 | + 13.0 | + 15.0 |
| Non-Residential | 372.9 | +144.1 | + 81.5 |
| Postal Receipts | 209.8 | - 0.4 | + 11.7 |
| All Farm Prices | 83.8 | - 1.2 | - 3.2 |
| Livestock Prices | 83.6 | - 0.7 | - 3.8 |
| Crop Prices | 90.9 | - 2.6 | - 1.3 |

## BUSINESS ACTIVITY BY DISTRICTS

| District | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|
| August 1955 Compared with July 1955 | | | | | | | | | |
| Bank Debits | + 8.0 | + 28.8 | + 4.4 | + 7.7 | + 1.3 | - 1.4 | - 1.7 | + 0.9 | + 3.4 |
| Loans and Discounts | + 12.0 | - 7.6 | + 4.4 | 0.0 | - 2.0 | + 1.2 | - 9.0 | + 10.0 | + 4.1 |
| Demand Deposits | + 2.3 | - 24.1 | - 3.7 | - 1.3 | - 5.2 | - 6.1 | - 1.3 | - 0.7 | - 2.7 |
| Time Deposits | - 1.7 | + 13.3 | + 15.1 | + 6.7 | + 21.7 | + 10.5 | + 3.3 | + 13.7 | + 12.8 |
| Postal Receipts | + 0.6 | + 6.4 | + 11.9 | - 0.8 | - 13.0 | + 0.6 | - 19.5 | - 2.2 | - 0.8 |
| August 1955 Compared with August 1954 | | | | | | | | | |
| Bank Debits | + 33.4 | + 32.7 | + 23.7 | + 24.3 | + 26.2 | + 36.5 | + 16.5 | + 30.8 | + 19.7 |
| Loans and Discounts | + 28.5 | - 25.3 | + 10.3 | + 38.0 | - 0.6 | + 47.4 | + 9.2 | +139.2 | + 9.5 |
| Demand Deposits | + 29.0 | - 13.2 | + 0.9 | + 1.4 | - 15.1 | - 0.5 | 0.0 | + 20.2 | - 0.7 |
| Time Deposits | + 16.3 | + 28.0 | + 27.6 | + 20.1 | + 13.1 | + 22.9 | + 4.4 | + 73.4 | + 36.2 |
| Postal Receipts | + 6.0 | + 21.7 | + 10.7 | + 17.5 | + 14.4 | + 10.4 | - 0.4 | + 4.2 | + 6.9 |

Sources of Data:
Retail Sales Data: N. M. Bureau of Revenue
Potash Production: N. M. Bureau of Revenue
Petroleum Production: N. M. Bureau of Revenue
Life Insurance Sales (New Ordinary): Life Insurance Agency Management Association
Wage Employment (all categories): N. M. Employment Security Commission
Electric Power Production: Federal Power Commission
Metallics Production: U. S. Bureau of Mines
Farm Prices: U. S. Agricultural Marketing Service
Bank Data (all series), Postal Receipts, Building Permits: Bureau of Business Research
Business Failure Liabilities: Dun & Bradstreet, Inc.

(continued from page 6)
past five years. Seven of the 32 county reports, however, showed "dry spots" of various sizes, and the State Drouth Committee will meet this October to see if renewal of the feed program will be necessary.

Meanwhile, New Mexico farms and ranches are eligible for credit loans at 3 per cent interest through Farmers Home Administration offices. B. B. Atchley, state chairman, stresses that several "good" years will be needed to help some drouth-stricken areas back to solvency.

**NEW MEXICO BUSINESS**
Bureau of Business Research
University of New Mexico
Albuquerque, N. M.